



ISMA Sugar & Ethanol Conference

Sugar Production (Domestic & Global)

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Sugar Production Outlook – ISO Perspective

Agenda

- 1 Overview**
- 2 Beet vs Cane**
- 3 Regional**
- 4 Conclusion / Q&A**





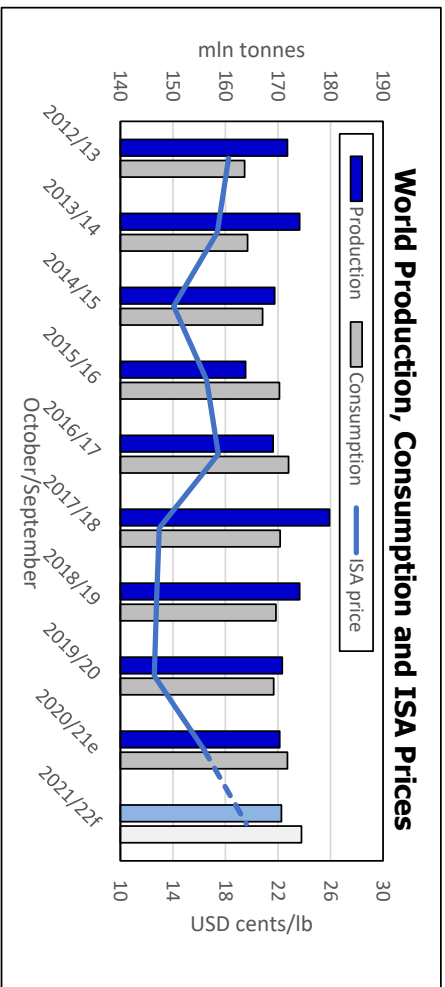
Overview

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The Sugar Market

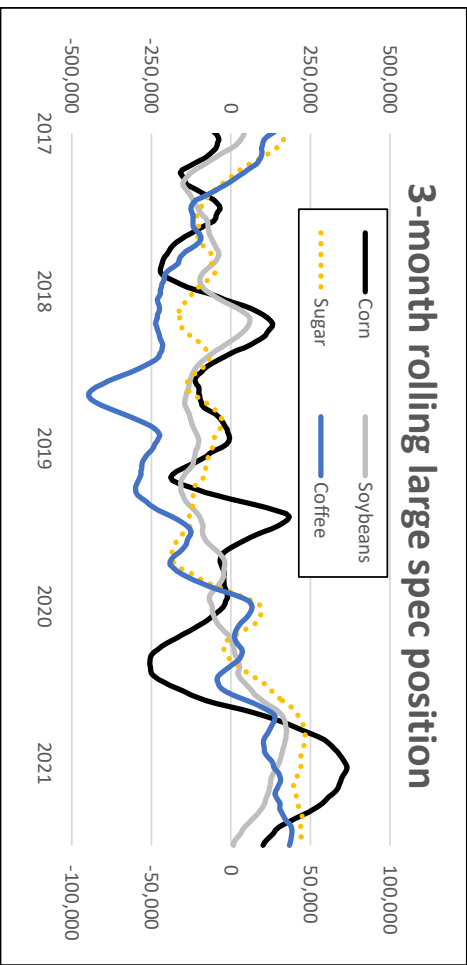
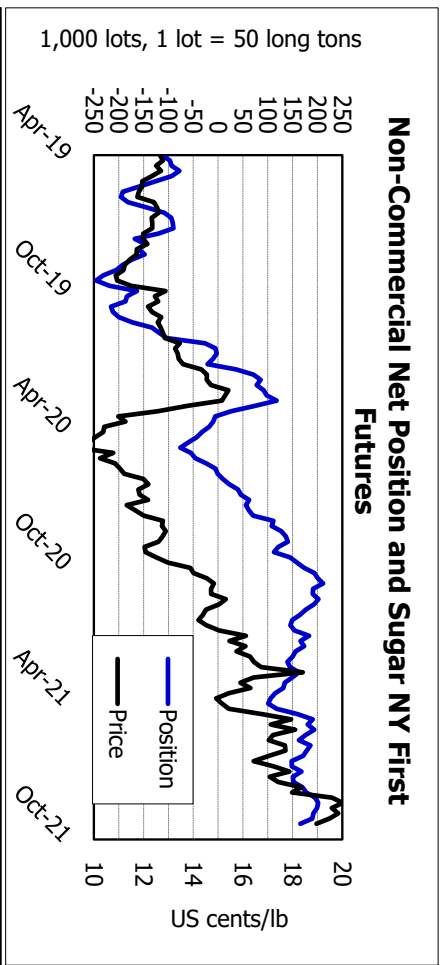


2021/22 deficit increased to 3.8 mln tonnes

Second year of deficit

Flat production in the last three years

Anticipating a recovery in consumption





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Production Outlook

From the Sugar Yearbook 2021 – data for 2020

World Production fell by 1 mln tonnes to 170 mln tonnes
Consumption fell by 0.5 mln tonnes to 169.5 mln tonnes

With little growth overall, the analysis needs to focus on
interchanges between origins.

Drivers for variances include
Dependence on world / domestic market prices
Dependence on global weather dynamics
Interaction with other markets

10 LARGEST PRODUCERS in 2020		
(in mln metric tonnes, tel quel)		
1	Brazil	41.21
2	India	30.72
3	EU-28	15.11
4	China	10.15
5	USA	7.18
6	Thailand	6.90
7	Russian Federation	5.70
8	Mexico	5.63
9	Pakistan	4.88
10	Australia	4.35



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Price dependence

Export returns (or export share in production) are a function of destination / operation

	2021/22	2018-20
Preferential		
Mauritius	99%	115%
Eswatini	92%	94%
Guyana	90%	86%
Belize	88%	90%
Laos, DPR	81%	145%
Fiji	79%	83%
El Salvador	66%	64%
Guatemala	66%	64%
Nicaragua	64%	66%
Paraguay	63%	52%
Jamaica	62%	51%
Costa Rica	54%	50%
Zambia	53%	57%
Malawi	51%	44%

	2021/22	2018-20
World Market		
Australia	79%	70%
Brazil	76%	69%
Thailand	69%	77%
South Africa	48%	55%
Belarus	38%	50%
Argentina	29%	17%
Mexico	29%	32%
Colombia	28%	33%
India	18%	20%

	2021/22	2018-20
Tolling		
Bangladesh	107%	121%
Morocco	92%	125%

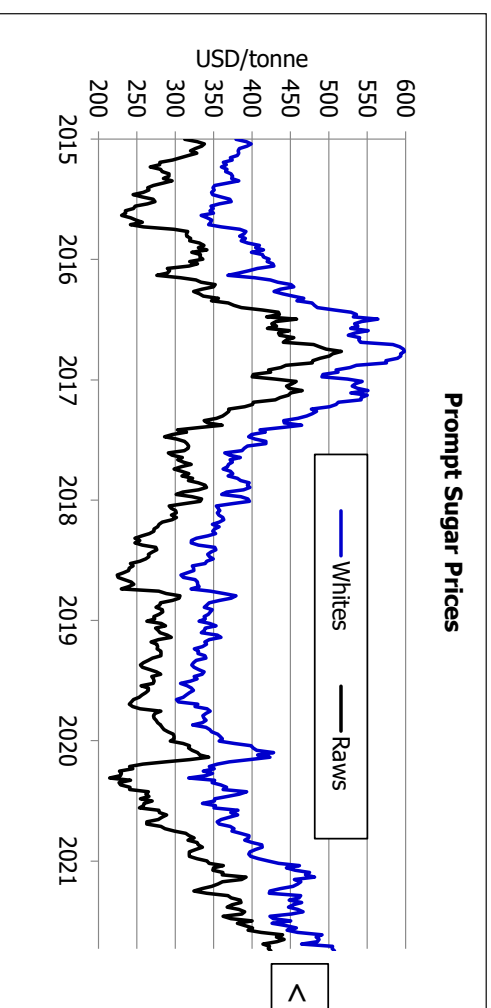
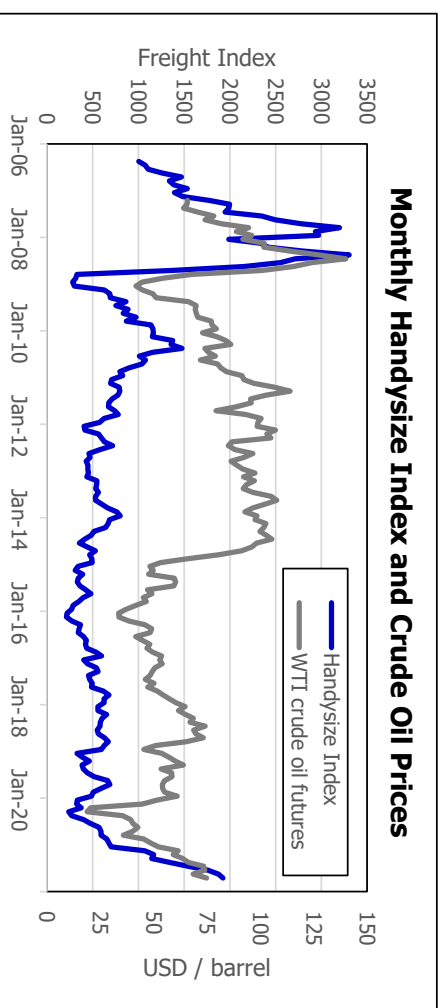
Price dependence

Importers facing high import costs and price targets

- Russia – domestic price cap / duty-free imports
- Sri Lanka – limiting import licencing / foreign exchange
- Pakistan – capped prices / low interest at TCP tenders
- Philippines – re-import licences and no US quota commitment
- EU – import parity against reported prices is not viable

Freight continues to rise

White premium too low for destination refiners



< USD 50 / mt



Overview

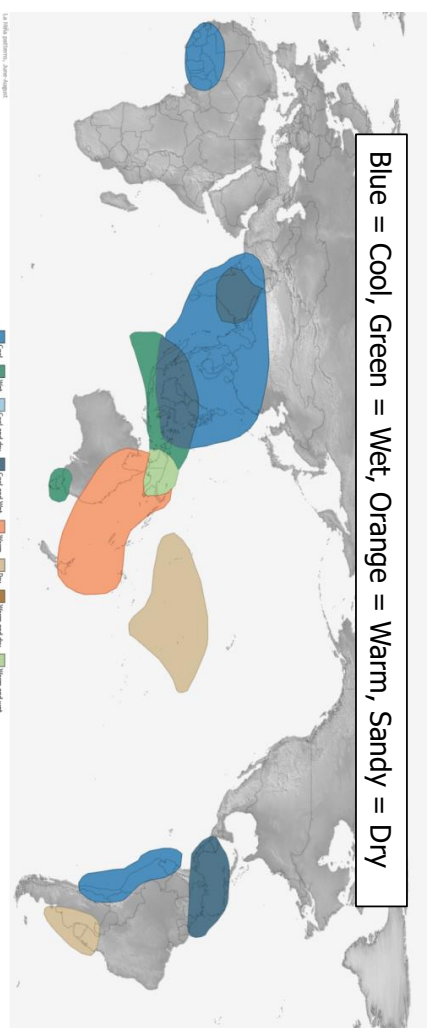
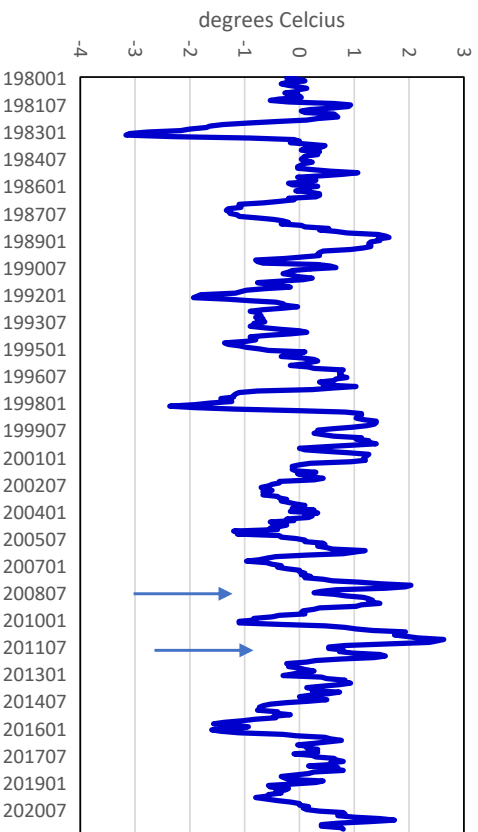
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Weather dependence

Three-month average SOI



La Nina Impact – Jun/Jul/Aug

Source: NOAA Climate.gov

International Sugar Organization | Devoted to Improving Conditions on the World Sugar Market

Interaction with other markets

Producer & Competing Crop

Brazil - Soybeans / Corn

Thailand – Cassava / Rice

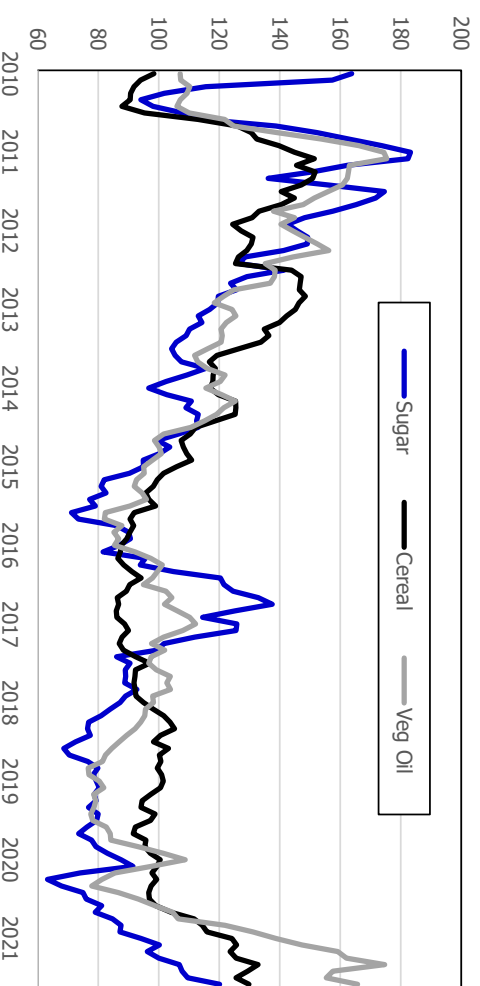
EU – Cereals

US – Corn

China – Corn / Vegetables

Russia - Cereals

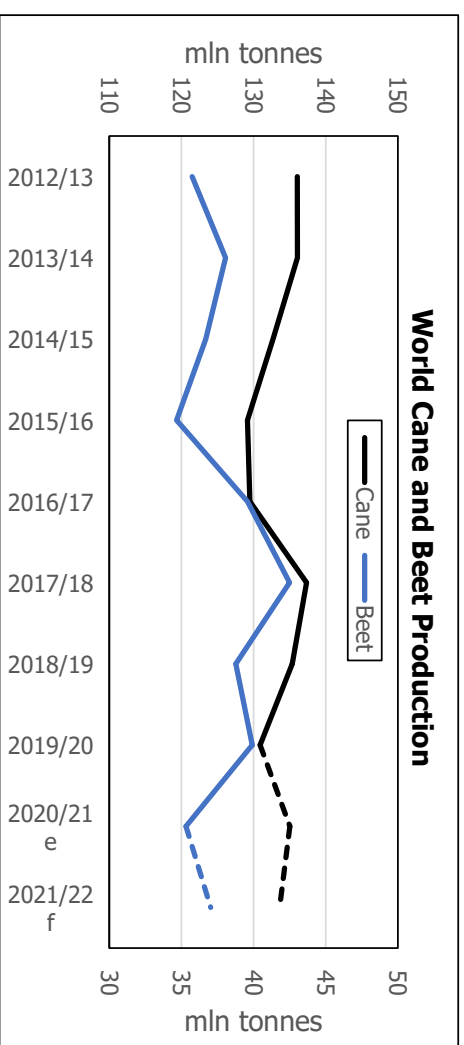
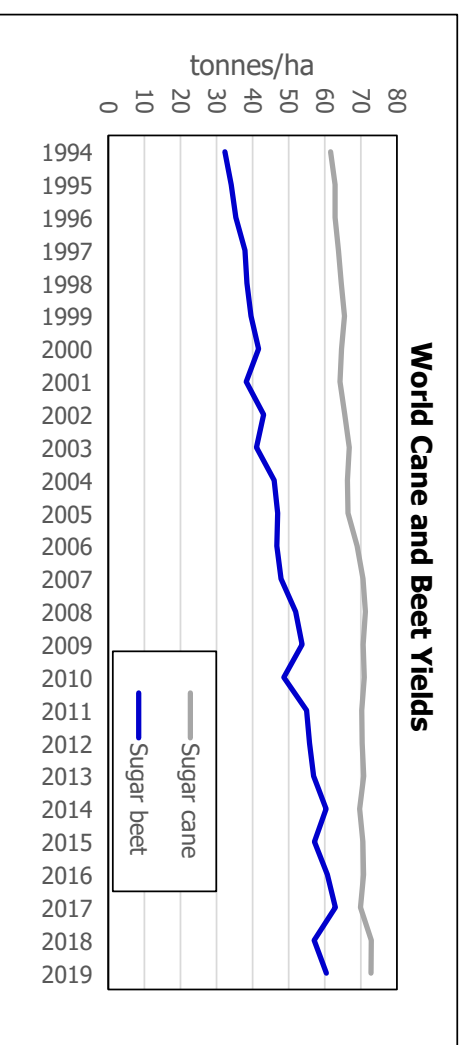
FAO Commodity Price Indices



Flexibility vs Longevity

Beet yields have been catching up with cane

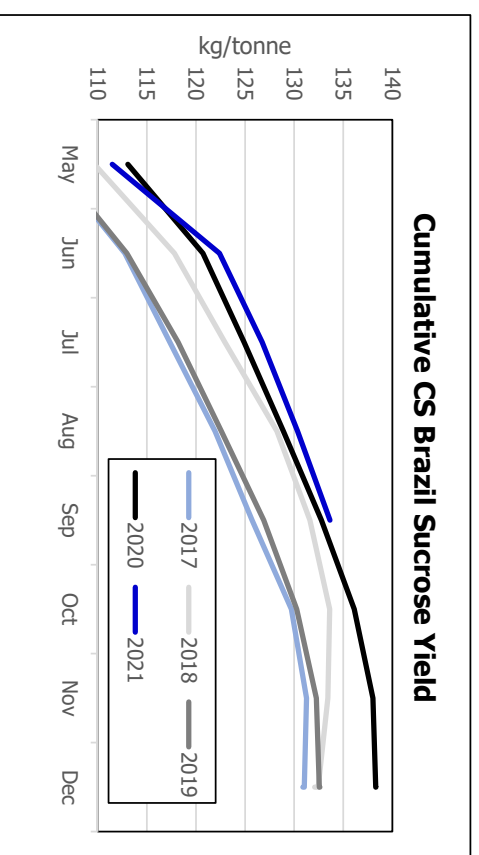
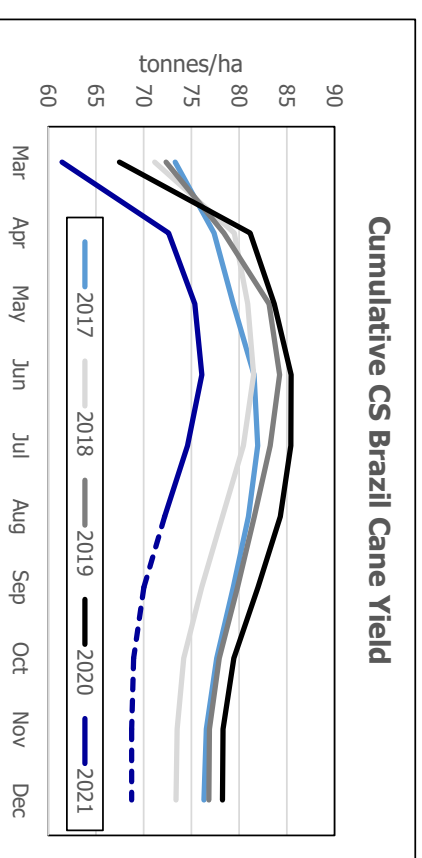
- More volatile than expected
 - Price sensitivity
 - Pesticide restrictions
 - US weather risk
- Only structural growth when supported by the domestic market
 - Egypt
 - Turkey
- High reliance on natural gas for boilers



Flexibility vs Longevity

Cane industry

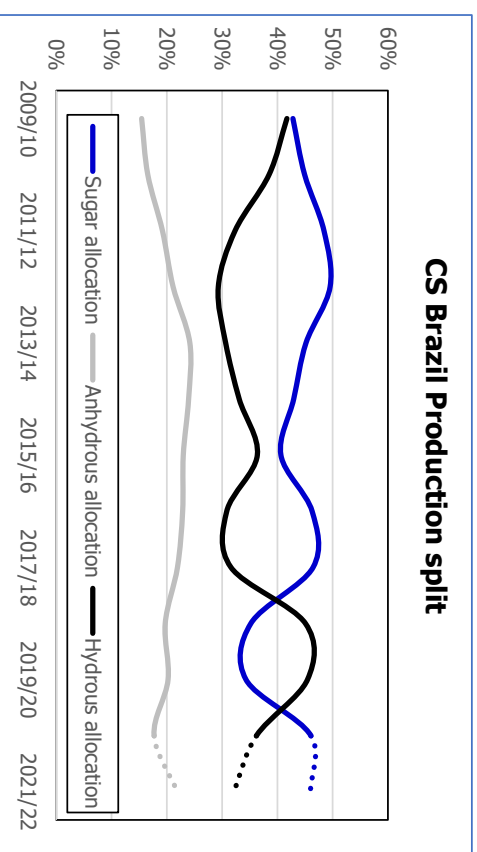
- Few producers can match CS Brazil productivity
 - Cane yield down at 70 tonnes/ha
 - Harvest = 540 mln tonnes (605 mln tonnes)
 - Industrial yield at 135 kg sugar / tonne of cane



Flexibility vs Longevity

Sugar allocation little-changed

- Preferential markets are not sufficiently large or remunerative to keep industries growing. E.g. Mauritius, Belize, Guyana, Fiji
- Other producers are looking more regionally or locally, given high freight, ethanol programmes or alternative uses.
- Competition for land and water is increasing, but cogeneration remains a big bonus.





Overview

Beet vs Cane

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Beet Production – due early Q4

EU = 14.9 mln tonnes

Weather has been positive recently, low disease but increased cost of beet and energy

Russia = 6 mln tonnes

Early start to harvesting due to lack of growth, beet yields up on last season
Fewer issues with energy costs

US = 4.2 mln tonnes

Harvesting commenced in second week of Aug, some weather setback but should progress quickly

Turkey = 2.9 mln tonnes

Record harvest last season, excellent trading position

Egypt = 1.8 mln tonnes (due in Q2 2022)

Expanding sector with positive yield developments

China = 1.1 mln tonnes

Could decline below 1 mln tonnes as farmers reportedly switched to corn



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Cane Production – due late Q4

India = 30.7 mln tonnes

China = 9.2 mln tonnes
Good weather in southern states, but acreage under pressure. Prices are flat

Thailand = 9.0 mln tonnes
Farmers have switched back thanks to THB1,000 cane price, very wet weather recently

Pakistan = 6.4 mln tonnes
Good monsoon in 2020 lifts prospects, high prices in 2021 have caused political issues

Mexico = 5.8 mln tonnes
Crop is recovering following poor harvest in 2019/20. Prices are align with US

Australia = 4.4 mln tonnes (ongoing since July)
Rain hampered harvesting recently, but production is proceeding well



Overview

Beet vs Cane

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Regional Outlook

Surplus in Americas – dominated by Brazil

Freight cost is a key variable today

MENA

Santos – Morocco = 4236 miles (14.7 days@12knots)

Santos – Iraq = 8521 miles (29.6 days)

Asia

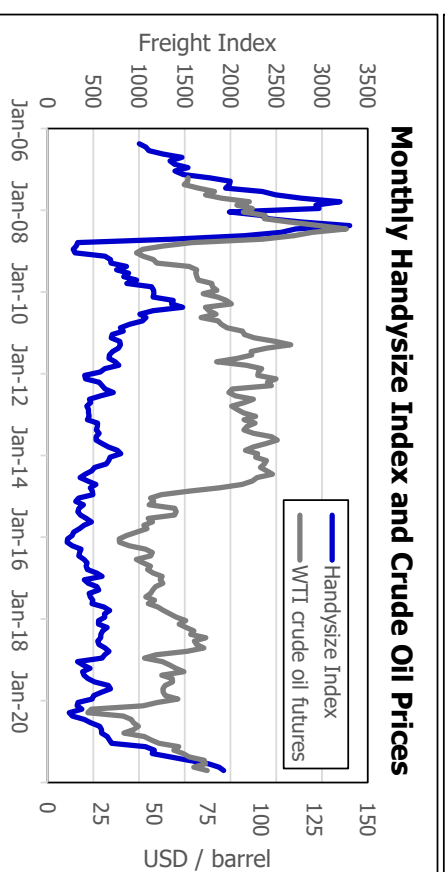
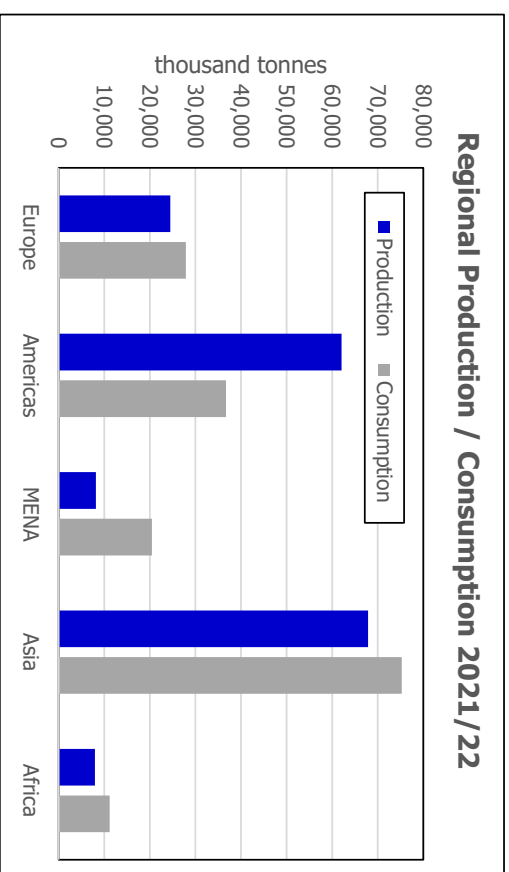
Santos – Bangladesh = 8894 miles (30.9 days)

Santos – Bayuguan = 11586 miles (40.2 days)

Africa

Santos – Nigeria = 3454 miles (12 days)

At a daily charter rate of USD 30,000 plus fuel costs, every day's voyage (288 miles) will cost USD0.86/tonne for a 50,000 tonne vessel. This calculation excludes time in port and associated costs!





Overview

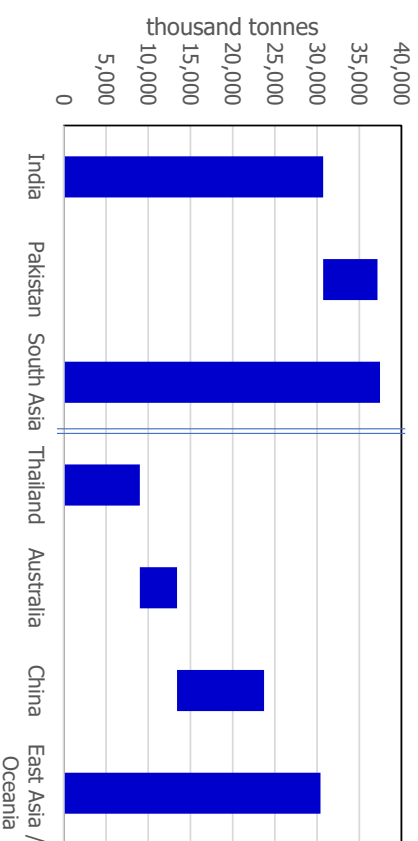
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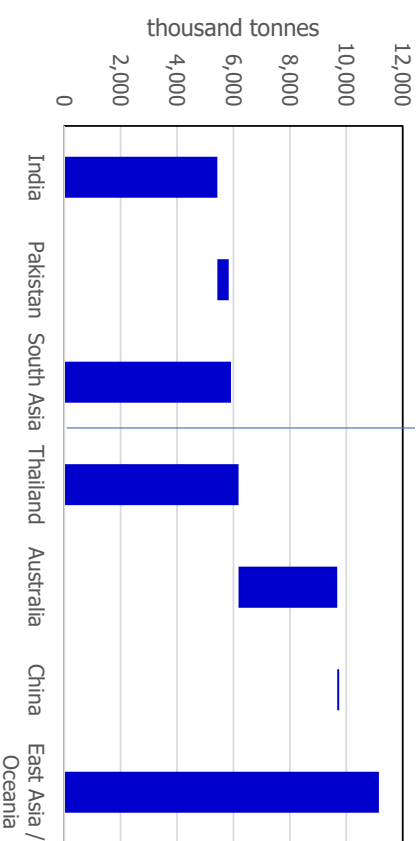
Conclusion

Regional Outlook

Asia Production by Region 2021/22



Asia Exports by Region 2021/22



But export volumes suggest a focus on regional / Indian Ocean trade rather than looking East

When inter-regional costs rise, than intra-regional trade becomes key

India's production is as large as in East Asia / Oceania

Conclusion

- For 2021/22 balance
 - End date of the pandemic
 - Better harvests in a range of countries
 - Uncertainty over CS Brazil outlook
- Pandemic triggered a desire for stock holding, which is still reverberating
- Prices have rallied thanks to speculative long, ISO outlook is neutral
- “Commodity super-cycle” might be ending in arables
- Trade flows are hampered by high freight costs
- Low margins for refiners going forward point to continued need for Indian white sugar

